

TIPTON COMMUNITY SCHOOL DISTRICT  
TIPTON, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

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# TIPTON COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2007 Election)		
Ed Pelzer	President	2009
Steve Emrich	Vice President	2007
Sue McGuinty	Board Member	2007
Duane Webb	Board Member	2008
Bill Schwitzer	Board Member	2009
<u>Board of Education</u>		
(After September 2007 Election)		
Ed Pelzer	President	2009
Duane Webb	Vice President	2008
Bill Schwitzer	Board Member	2009
Sue McGuinty	Board Member	2011
Mark Forest	Board Member	2011
<u>School Officials</u>		
Richard Grimoskas	Superintendent	2011
Jim Becker	District Secretary/Treasurer	2008
Brian Gruhn	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Tipton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tipton Community School District, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tipton Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2008 on our consideration of Tipton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 16 and 54 through 55 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tipton Community School District's basic financial statements. The financial statements for the year ended June 30, 2007 (which are not presented herein) were audited by other auditors who disclaimed an opinion on the discretely presented component unit and expressed unqualified opinions on the governmental activities, business type activities, each major fund, and the aggregate remaining fund information. The financial statements for the two years ended June 30, 2006 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
October 7, 2008

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Tipton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,559,441 in fiscal 2007 to \$7,145,027 in fiscal 2008, and General Fund expenditures increased from \$6,495,952 in fiscal 2007 to \$6,869,735 in fiscal 2008. The District's General Fund balance increased from \$794,363 in fiscal 2007 to \$1,058,661 in fiscal 2008, a 33.27% increase.
- The increase in General Fund revenue in fiscal year 2008 was attributable to an increase in teacher quality funding from the State of Iowa and an increase in State Foundation Aid due to an increase in enrollment in fiscal year 2007. The increase in expenditures was due primarily to the negotiated salary and benefits settlement and teacher quality payments to the certified staff. The increase in expenditures was offset enough by the increase in revenues to allow the district to have an increase in the general fund balance.
- A decrease in interest rates during the 2008 fiscal year resulted in interest earnings in the General Fund alone decreasing from \$105,267 in fiscal 2007 to \$86,014 in fiscal 2008.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Tipton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Tipton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Tipton Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

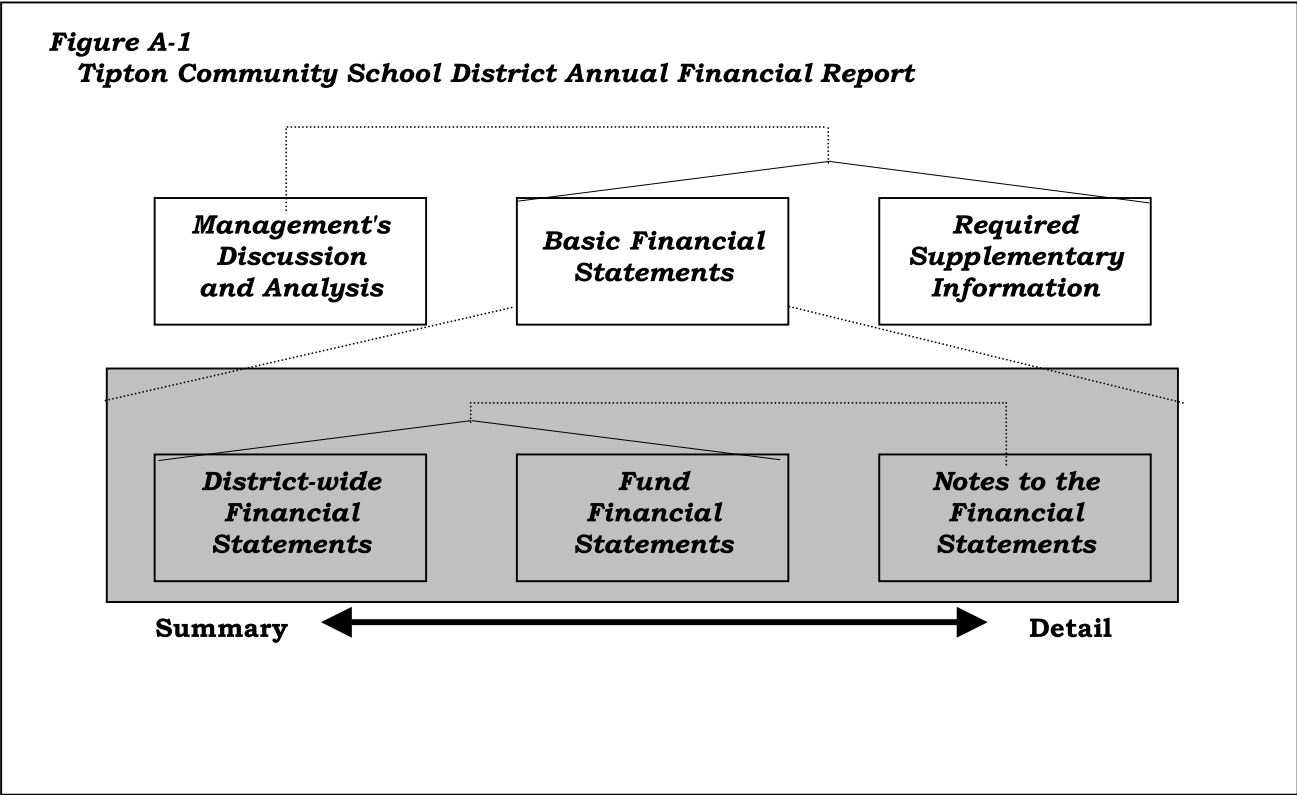


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: Food services Flexible benefits	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. Internal service funds, (the other type of proprietary fund) report activities that provide supplies or services for other District programs or activities. The District currently has one internal service fund, the Flexible Benefits fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

**Figure A-3**  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Current and other assets	\$6,923,091	\$ 6,641,294	\$47,834	\$ 42,777	\$6,970,925	\$ 6,684,071	4.29%
Capital assets	<u>7,910,177</u>	<u>8,012,418</u>	<u>66,877</u>	<u>82,196</u>	<u>7,977,054</u>	<u>8,094,614</u>	-1.45%
Total assets	<u>14,833,268</u>	<u>14,653,712</u>	<u>114,711</u>	<u>124,973</u>	<u>14,947,979</u>	<u>14,778,685</u>	1.15%
Long-term obligations	5,545,000	6,153,263	-	-	5,545,000	6,153,263	-9.89%
Other liabilities	<u>4,174,283</u>	<u>4,532,692</u>	<u>22,901</u>	<u>18,675</u>	<u>4,197,184</u>	<u>4,551,367</u>	-7.78%
Total liabilities	<u>9,719,283</u>	<u>10,685,955</u>	<u>22,901</u>	<u>18,675</u>	<u>9,742,184</u>	<u>10,704,630</u>	-8.99%
Net assets							
Invested in capital assets,							
net of related debt	2,365,177	1,866,687	66,877	82,196	2,432,054	1,948,883	24.79%
Restricted	1,530,448	1,150,228	-	-	1,530,448	1,150,228	33.06%
Unrestricted	<u>1,218,360</u>	<u>950,842</u>	<u>24,933</u>	<u>24,102</u>	<u>1,243,293</u>	<u>974,944</u>	27.52%
Total net assets	<u>\$5,113,985</u>	<u>\$ 3,967,757</u>	<u>\$91,810</u>	<u>\$ 106,298</u>	<u>\$ 5,205,795</u>	<u>\$ 4,074,055</u>	21.74%

The District's combined net assets increased by approximately 22%, or \$1,131,740, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$380,220, or approximately 33% from the prior year. The increase was primarily a result of funds restricted from the physical plant and equipment levy and capital projects in which the funds will be expensed on building projects in a future fiscal year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$268,349, or approximately 28%. This increase in unrestricted net assets was a result of increased state aid in fiscal year 2008 due to an increase in enrollment in fiscal year 2007 while keeping our increase in related expenditures to a minimum.

Figure A-4 shows the change in net assets for the year ended June 30, 2008.

Figure A-4 Change in Net Assets							
	Governmental Activities		Business Type Activities		Total District		Change
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Revenues							
Program revenues							
Charges for service and sales	\$ 879,903	\$ 837,449	\$ 237,535	\$ 241,689	\$ 1,117,438	\$ 1,079,138	3.55%
Operating grants and contributions	891,716	798,985	185,974	138,038	1,077,690	937,023	15.01%
Capital grants and contributions	77,743	-	-	-	77,743	-	0%
General revenues							
Property tax	2,819,820	2,972,812	-	-	2,819,820	2,972,812	-5.15%
Income Surtax	466,148	370,852	-	-	466,148	370,852	25.70%
Local option sales and service tax	465,079	470,843	-	-	465,079	470,843	-1.22%
Unrestricted state grants	3,217,297	2,902,989	-	-	3,217,297	2,902,989	10.83%
Unrestricted investment earnings	130,539	149,453	178	207	130,717	149,660	-12.66%
Other	<u>20,306</u>	<u>25,798</u>	<u>-</u>	<u>-</u>	<u>20,306</u>	<u>25,798</u>	-21.29%
Total revenues	<u>8,968,551</u>	<u>8,529,181</u>	<u>423,687</u>	<u>379,934</u>	<u>9,392,238</u>	<u>8,909,115</u>	5.42%
Program expenses							
Governmental activities							
Instruction	4,745,599	4,536,959	-	-	4,745,599	4,536,959	4.60%
Support services	2,279,326	2,005,167	-	-	2,279,326	2,005,167	13.67%
Non-instructional programs	46,322	-	438,175	432,524	484,497	432,524	12.02%
Other expenses	<u>751,076</u>	<u>881,401</u>	<u>-</u>	<u>-</u>	<u>751,076</u>	<u>881,401</u>	-14.79%
Total expenses	<u>7,822,323</u>	<u>7,423,527</u>	<u>438,175</u>	<u>432,524</u>	<u>8,260,498</u>	<u>7,856,051</u>	5.15%
Excess (deficiency) before transfers	1,146,228	1,105,654	(14,488)	(52,590)	1,131,740	1,053,064	7.47%
Transfers	<u>-</u>	<u>(44,590)</u>	<u>-</u>	<u>44,590</u>	<u>-</u>	<u>-</u>	0%
Change in net assets	<u><u>1,146,228</u></u>	<u><u>\$ 1,061,064</u></u>	<u><u>(14,488)</u></u>	<u><u>\$ (8,000)</u></u>	<u><u>1,131,740</u></u>	<u><u>\$ 1,053,064</u></u>	7.47%

In fiscal 2008, property tax and unrestricted state grants account for 67% of the revenue from governmental activities while charges for services and sales and operating grants and contributions account for 99% of the revenue from business type activities.

The District's total revenues were \$9,392,238 of which \$8,968,551 was for governmental activities and \$423,687 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.4% increase in revenues and a 5.2% increase in expenses. Property tax decreased \$152,992. The increase in expenses comes mostly in the instruction and support service areas due to the negotiated salary and benefits settlement with certified and non-certified staff.

## Governmental Activities

Revenues for governmental activities were \$8,968,551 and expenses were \$7,822,323. The District was able to balance the budget with increased revenue.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
			Change			Change
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>	<u>2008</u>	<u>2007</u>	<u>2006-2007</u>
Instruction	\$ 4,745,599	\$ 4,536,959	4.60%	\$3,303,367	\$ 3,153,490	4.75%
Support services	2,279,326	2,005,167	13.67%	2,223,553	1,999,430	11.21%
Non-Instructional Programs	46,322	-	0%	46,322	-	0%
Other Expenses	<u>751,076</u>	<u>881,401</u>	-14.79%	<u>399,719</u>	<u>634,173</u>	-36.97%
Total expenses	<u>\$7,822,323</u>	<u>\$ 7,423,527</u>	5.37%	<u>\$ 5,972,961</u>	<u>\$ 5,787,093</u>	3.11%

- The cost financed by users of the District's programs was \$879,903.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$891,716.
- The net cost of governmental activities was financed with \$3,751,047 in property and other taxes and \$3,217,297 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$423,687 representing an 11.5 percent increase over the prior year while expenses totaled \$438,175, a 1.3 percent increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2008, the District's federal revenue increased due to increases in participation of the number of meals served. This increase in revenue was more than offset by salaries and benefits for nutrition staff.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Tipton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,429,001, well above last year's restated ending fund balances of \$1,836,420. The primary reason for the increase in combined fund balances in fiscal 2008 is due to the District having projects, which had begun, however, most of the expense of the projects had not been incurred by June 30, 2008.

## **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of growth during the year in State Foundation Aid due to an increase in enrollment in Fiscal year 2007. This resulted in an increase in revenues. The District's increase in General Fund expenditures was in large part due to personnel salary and benefit settlements.
- The General Fund balance increased from \$794,363 to \$1,058,661, due to increased State Aid, which helped revenues increase as a whole. This helped offset increased expenditures enough to increase the general fund balance.
- The Capital Projects Fund balance increased from \$226,936 in fiscal 2007 to \$349,651 in fiscal 2008. The District began a stadium bleacher project in fiscal year 2008. On June 30, 2008 a significant amount of the project had not been completed, however, the funds were available. Due to the timing of this project, the funds not yet paid out accounted for the increase in the capital projects fund balance.
- The Debt Service Fund balance increased from \$199,780 in fiscal 2007 to \$257,649 in fiscal 2008. This was a result of the District holding a reserve for the elementary project bond issue and the payment on the elementary project bond having a payment date of July 1 each year.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$106,298 at June 30, 2007 to \$91,810 at June 30, 2008, representing a decrease of approximately 14%. For fiscal 2008, the District's increase in salaries and benefits resulted in a decrease in current assets. Depreciation of capital assets also contributed to the overall decrease in net assets.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Tipton Community School District amended its annual budget one time to reflect additional expenditures associated with the teacher quality expenditures and additional nutrition expenses.

The District's receipts were \$359,639 more than budgeted receipts, a variance of 4%. Receipts were more than budget in several areas. The most significant variances resulted from the District receiving more instructional support revenue, open enrollment revenue, revenue from special education, and more local option sales tax revenue than originally budgeted.

Total expenditures were \$535,712 less than the amended budget, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$7,977,054, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of approximately 1.5% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$371,140.

The original cost of the District's capital assets was \$12,348,643. Governmental funds account for \$12,114,737, with the remainder of \$233,906 accounted for in the Proprietary, School Nutrition Fund.

The increase in original cost of capital assets during the 2008 fiscal year occurred due to equipment purchased throughout the year and a portion of the stadium bleacher project being completed.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Land	\$ 43,300	\$ 43,300	\$ -	\$ -	\$ 43,300	\$ 43,300	0.00%
Construction in progress	65,020	21,459	-	-	65,020	21,459	203.00%
Buildings and improvements	7,221,783	7,409,474	-	-	7,221,783	7,409,474	-2.53%
Improvements other than buildings	160,887	179,876	-	-	160,887	179,876	-10.56%
Furniture and equipment	<u>419,187</u>	<u>358,309</u>	<u>66,877</u>	<u>82,196</u>	<u>486,064</u>	<u>440,505</u>	10.34%
Totals	<u>\$7,910,177</u>	<u>\$8,012,418</u>	<u>\$ 66,877</u>	<u>\$ 82,196</u>	<u>\$7,977,054</u>	<u>\$8,094,614</u>	-1.45%

## Long-Term Debt

At June 30, 2008, the District had \$5,545,000 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 9.9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7  
Outstanding Long-term Obligations

	Total School District		Total Change
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
General obligation bonds	\$ 4,365,000	\$ 4,680,000	-6.73%
Revenue bonds	1,180,000	1,340,000	-11.94%
Capital loan notes	-	90,000	-100.00%
Capital leases	-		-100.00%
		35,732	
Early retirement	-	<u>7,531</u>	-100.00%
Total	<u>\$ 5,545,000</u>	<u>\$ 6,153,263</u>	-9.89%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of circumstances that could affect its financial health in the future:

- Tipton Community School District has experienced a stable enrollment in the past couple years. The District expects a decline in enrollment over the next few years, as larger class sizes will be graduating.
- The District will have a slight increase in enrollment for fiscal year 2009, which means the District should receive slightly more than the 4% of allowable growth from the State. Any negotiated package over this amount will have an adverse effect financially on the District.
- The current economic outlook in the United States and the State of Iowa may have an adverse effect on the financial health of the district. If state revenues are less than projected and a possible reversion of state funding is done, the district fund balances may be dramatically affected. The district must continue to evaluate options they have during an economic slowdown.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jim Becker, District Secretary/Treasurer, Tipton Community School District, 400 East 6<sup>th</sup> Street, Tipton, Iowa 52772.



## Basic Financial Statements

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 2,684,001	\$ 29,063	\$ 2,713,064
Receivables:			
Property tax:			
Current year	41,398	-	41,398
Succeeding year	2,803,272	-	2,803,272
Income surtax	356,178	-	356,178
Accrued interest	4,940	-	4,940
Accounts	927	420	1,347
Due from other governments	498,016	79	498,095
Inventories	-	18,272	18,272
Restricted ISCAP assets (note 4):			
Investments	528,271	-	528,271
Accrued interest receivable	6,088	-	6,088
Capital assets, net of accumulated depreciation (note 5)	7,910,177	66,877	7,977,054
Total assets	14,833,268	114,711	14,947,979
Liabilities			
Accounts payable	96,239	218	96,457
Salaries and benefits payable	589,207	22,683	611,890
Due to other governments	116,006	-	116,006
Accrued interest payable	36,371	-	36,371
ISCAP warrants payable (note 4)	524,000	-	524,000
ISCAP accrued interest payable (note 4)	201	-	201
ISCAP unamortized premium (note 4)	8,987	-	8,987
Deferred revenue:			
Succeeding year property tax	2,803,272	-	2,803,272
Long-term liabilities (note 6):			
Portion due within one year:			
Bonds payable	480,000	-	480,000
Portion due after one year:			
Bonds payable	5,065,000	-	5,065,000
Total liabilities	9,719,283	22,901	9,742,184

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 2,365,177	\$ 66,877	\$ 2,432,054
Restricted for:			
Management levy	122,425	-	122,425
Physical plant and equipment levy	419,448	-	419,448
Other special revenue purposes	399,256	-	399,256
Debt service	244,878	-	244,878
Capital projects	326,051	-	326,051
State grants	18,390	-	18,390
Unrestricted	1,218,360	24,933	1,243,293
Total net assets	\$ 5,113,985	\$ 91,810	\$ 5,205,795

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 4,745,599	\$ 877,739	\$ 564,493	\$ -
Support services:				
Student services	184,664	-	40,636	-
Instructional staff services	406,416	-	6,500	-
Administration services	783,651	-	6,279	-
Operation and maintenance of plant services	613,850	2,164	-	-
Transportation services	290,745	-	194	-
	<u>2,279,326</u>	<u>2,164</u>	<u>53,609</u>	<u>-</u>
Non-instructional programs	<u>46,322</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	53,122	-	-	77,743
Long-term debt interest and fiscal charges	215,917	-	-	-
AEA flowthrough	273,614	-	273,614	-
Depreciation (unallocated) *	208,423	-	-	-
	<u>751,076</u>	<u>-</u>	<u>273,614</u>	<u>77,743</u>
Total governmental activities	<u>7,822,323</u>	<u>879,903</u>	<u>891,716</u>	<u>77,743</u>
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>438,175</u>	<u>237,535</u>	<u>185,974</u>	<u>-</u>
Total	\$ 8,260,498	\$ 1,117,438	\$ 1,077,690	\$ 77,743

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (3,303,367)	\$ -	\$ (3,303,367)
(144,028)	-	(144,028)
(399,916)	-	(399,916)
(777,372)	-	(777,372)
(611,686)	-	(611,686)
(290,551)	-	(290,551)
(2,223,553)	-	(2,223,553)
(46,322)	-	(46,322)
24,621	-	24,621
(215,917)	-	(215,917)
-	-	-
(208,423)	-	(208,423)
(399,719)	-	(399,719)
(5,972,961)	-	(5,972,961)
-	(14,666)	(14,666)
(5,972,961)	(14,666)	(5,987,627)

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Functions/Programs

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General Revenues:

Property tax levied for:  
    General purposes  
    Debt service  
    Capital outlay  
Income surtax  
Local option sales and services tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 12)

Net assets end of year

\* = This amount excludes the depreciation included  
    in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 2,195,569	\$ -	\$ 2,195,569
458,294	-	458,294
165,957	-	165,957
466,148	-	466,148
465,079	-	465,079
3,217,297	-	3,217,297
130,539	178	130,717
20,306	-	20,306
7,119,189	178	7,119,367
1,146,228	(14,488)	1,131,740
3,967,757	106,298	4,074,055
<u>\$ 5,113,985</u>	<u>\$ 91,810</u>	<u>\$ 5,205,795</u>

TIPTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	\$ 1,475,712	\$ 250,307	\$ 957,982	\$ 2,684,001
Receivables:				
Property tax:				
Current year	30,105	7,342	3,951	41,398
Succeeding year	2,119,110	453,258	230,904	2,803,272
Income surtax	178,089	-	178,089	356,178
Accrued interest	-	-	4,940	4,940
Accounts	927	-	-	927
Due from other governments	303,639	-	194,377	498,016
Restricted ISCAP assets (note 4):				
Investments	528,271	-	-	528,271
Accrued interest receivable	6,088	-	-	6,088
Total assets	<u>\$ 4,641,941</u>	<u>\$ 710,907</u>	<u>\$ 1,570,243</u>	<u>\$ 6,923,091</u>



TIPTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 51,022	\$ -	\$ 45,217	\$ 96,239
Salaries and benefits payable	587,031	-	2,176	589,207
Due to other governments	114,840	-	1,166	116,006
ISCAP warrants payable (note 4)	524,000	-	-	524,000
ISCAP accrued interest payable (note 4)	201	-	-	201
ISCAP unamortized premium (note 4)	8,987	-	-	8,987
Deferred revenue:				
Succeeding year property tax	2,119,110	453,258	230,904	2,803,272
Other	178,089	-	178,089	356,178
Total liabilities	<u>3,583,280</u>	<u>453,258</u>	<u>457,552</u>	<u>4,494,090</u>
Fund balance:				
Reserved for:				
State grants	18,390	-	-	18,390
LOSST Revenue Bonds	-	100,000	-	100,000
LOSST Bond Sinking Fund	-	103,600	-	103,600
Debt service	-	54,049	-	54,049
Unreserved:				
Reported in nonmajor Special Revenue Funds	-	-	763,040	763,040
Reported in nonmajor Capital Projects Fund	-	-	349,651	349,651
Designated for special instructional services	11,048	-	-	11,048
Undesignated	1,029,223	-	-	1,029,223
Total fund balances	<u>1,058,661</u>	<u>257,649</u>	<u>1,112,691</u>	<u>2,429,001</u>
Total liabilities and fund balances	<u>\$ 4,641,941</u>	<u>\$ 710,907</u>	<u>\$ 1,570,243</u>	<u>\$ 6,923,091</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2008

Total fund balances of governmental funds	\$ 2,429,001
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,910,177
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	356,178
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(36,371)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,545,000)</u>
Net assets of governmental activities	<u>\$ 5,113,985</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2008

	General	Debt Service	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 2,315,072	\$ 457,942	\$ 932,631	\$ 3,705,645
Tuition	564,210	-	-	564,210
Other	126,587	10,640	378,544	515,771
Intermediate sources	28,510	-	-	28,510
State sources	3,963,006	352	197	3,963,555
Federal sources	147,642	-	-	147,642
Total revenues	7,145,027	468,934	1,311,372	8,925,333
Expenditures:				
Current:				
Instruction	4,470,049	-	270,622	4,740,671
Support services:				
Student services	224,472	-	-	224,472
Instructional staff services	331,470	-	25,599	357,069
Administration services	706,114	-	44,252	750,366
Operation and maintenance of plant services	571,166	-	40,930	612,096
Transportation services	246,528	-	66,517	313,045
	2,079,750	-	177,298	2,257,048
Non-instructional programs	46,322	-	-	46,322
Other expenditures:				
Facilities acquisition	-	-	194,041	194,041
Long term debt:				
Principal	-	600,732	-	600,732
Interest and fiscal charges	-	220,324	-	220,324
AEA flowthrough	273,614	-	-	273,614
	273,614	821,056	194,041	1,288,711
Total expenditures	6,869,735	821,056	641,961	8,332,752
Excess (deficiency) of revenues over (under) expenditures	275,292	(352,122)	669,411	592,581

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2008

	General	Debt Service	Nonmajor Governmental Funds	Total
Other financing sources (uses):				
Interfund transfers in	\$ -	\$ 409,991	\$ 10,994	\$ 420,985
Interfund transfers out	(10,994)	-	(409,991)	(420,985)
Total other financing sources (uses)	(10,994)	409,991	(398,997)	-
Net change in fund balances	264,298	57,869	270,414	592,581
Fund balances beginning of year, as restated (note 12)	794,363	199,780	842,277	1,836,420
Fund balances end of year	<u>\$ 1,058,661</u>	<u>\$ 257,649</u>	<u>\$ 1,112,691</u>	<u>\$ 2,429,001</u>

See notes to financial statements.

## TIPTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 592,581

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 253,580	
Depreciation expense	<u>(355,821)</u>	(102,241)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 43,218

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 600,732

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 4,407

Some expenses, including early retirement, reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 7,531

Change in net assets of governmental activities \$ 1,146,228

See notes to financial statements.

## TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

June 30, 2008

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>	<u>Internal</u> <u>Service</u> <u>Flexible</u> <u>Benefits</u>
Assets		
Cash and cash equivalents	\$ 29,063	\$ 4,604
Accounts receivable	420	-
Due from other governments	79	-
Inventories	18,272	-
Capital assets, net of accumulated depreciation	<u>66,877</u>	<u>-</u>
Total assets	<u>114,711</u>	<u>4,604</u>
Liabilities		
Accounts payable	218	-
Salaries and benefits payable	<u>22,683</u>	<u>-</u>
Total liabilities	<u>22,901</u>	<u>-</u>
Net Assets		
Invested in capital assets	66,877	-
Unrestricted	<u>24,933</u>	<u>4,604</u>
Total net assets	<u>\$ 91,810</u>	<u>\$ 4,604</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2008

	<u>Enterprise School Nutrition</u>	<u>Internal Service Flexible Benefits</u>
Operating revenues:		
Local sources:		
Charges for services	\$ 237,535	\$ 40,080
Operating expenses:		
Non-instructional programs:		
Non-instructional operations:		
Salaries	132,196	-
Benefits	64,078	-
Purchased services	4,639	-
Supplies	221,943	-
Depreciation	15,319	-
Other	-	39,270
	<u>438,175</u>	<u>39,270</u>
Operating income (loss)	<u>(200,640)</u>	<u>810</u>
Non-operating revenues:		
Interest on investments	178	133
Contributions	46,322	-
State sources	4,466	-
Federal sources	135,186	-
Total non-operating revenues	<u>186,152</u>	<u>133</u>
Change in net assets	(14,488)	943
Net assets beginning of year, as restated (note 12)	<u>106,298</u>	<u>3,661</u>
Net assets end of year	<u>\$ 91,810</u>	<u>\$ 4,604</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2008

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>	<u>Internal</u> <u>Service</u> <u>Flexible</u> <u>Benefits</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 237,177	\$ -
Cash received from miscellaneous operating activities	-	40,080
Cash payments to employees for services	(162,842)	-
Cash payments to suppliers for goods or services	<u>(192,266)</u>	<u>(39,270)</u>
Net cash provided by (used by) operating activities	<u>(117,931)</u>	<u>810</u>
Cash flows from non-capital financing activities:		
State grants received	4,466	-
Federal grants received	<u>115,740</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>120,206</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>178</u>	<u>133</u>
Net increase in cash and cash equivalents	2,453	943
Cash and cash equivalents beginning of year, as restated (note 12)	<u>26,610</u>	<u>3,661</u>
Cash and cash equivalents end of year	<u>\$ 29,063</u>	<u>\$ 4,604</u>



TIPTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2008

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>	<u>Internal</u> <u>Service</u> <u>Flexible</u> <u>Benefits</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (200,640)	\$ 810
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	15,319	-
Commodities used	19,367	-
Contributed health insurance	46,322	-
(Increase) in accounts receivable	(420)	-
Decrease in due from other governments	62	-
(Increase) in inventories	(2,167)	-
Increase in accounts payable	218	-
Increase in salaries and benefits payable	<u>4,008</u>	<u>-</u>
Net cash provided by (used by) operating activities	\$ <u>(117,931)</u>	\$ <u>810</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$19,367 of federal commodities and \$46,322 of health insurance benefits contributed by the General Fund.

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2008

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ 528,451	\$ 7,843
Accrued interest receivable	<u>10,722</u>	<u>-</u>
Total assets	<u>539,173</u>	<u>7,843</u>
Liabilities:		
Accounts payable	12,500	-
Other payables	<u>-</u>	<u>7,843</u>
Total liabilities	<u>12,500</u>	<u>7,843</u>
Net assets:		
Reserved for scholarships	\$ <u>526,673</u>	\$ <u>-</u>

See notes to financial statements.

TIPTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2008

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 581	
Interest	<u>26,471</u>	
Total additions	<u>27,052</u>	
Deductions:		
Support services:		
Scholarships awarded		<u>53,524</u>
Change in net assets	(26,472)	
Net assets beginning of year, as restated (note 12)	<u>553,145</u>	
Net assets end of year	<u>\$ 526,673</u>	
See notes to financial statements.		

## TIPTON COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2008

#### Note 1. Summary of Significant Accounting Policies

Tipton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Tipton, Iowa, and agricultural territory in Cedar County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Tipton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Tipton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Cedar County Assessor's Conference Board.

The District appoints the trustees of the Tipton School Foundation, Inc. board, which is considered a related organization.

##### B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2008 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.



TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2008.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designated Fund Balance – The District has designated a portion of its fund balance for specific programs.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$1,530,448.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 2. Cash and Pooled Investments (continued)

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>2,084,404</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Physical Plant and Equipment Levy	General	\$ 10,994
Debt Service	Capital Projects	279,183
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>130,808</u>
Total		\$ <u>420,985</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2007-08A	6/27/2007	6/27/2008	\$ -	\$ 5,888	\$ -	\$ -	-
2008-09A	6/26/2008	6/25/2009	528,271	200	524,000	201	8,987
Total			<u>\$ 528,271</u>	<u>\$ 6,088</u>	<u>\$ 524,000</u>	<u>\$ 201</u>	<u>\$ 8,987</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ -	\$ 200,000	\$ 200,000	\$ -

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.50%	5.455%
2008-09A	3.50%	3.469%

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 43,300	\$ -	\$ -	\$ 43,300
Construction in progress	21,459	56,217	12,656	65,020
Total capital assets not being depreciated	64,759	56,217	12,656	108,320
Capital assets being depreciated:				
Buildings	10,344,521	-	-	10,344,521
Improvements other than buildings	464,173	-	-	464,173
Furniture and equipment	1,087,178	210,019	99,474	1,197,723
Total capital assets being depreciated	11,895,872	210,019	99,474	12,006,417
Less accumulated depreciation for:				
Buildings	2,935,047	187,691	-	3,122,738
Improvements other than buildings	284,297	18,989	-	303,286
Furniture and equipment	728,869	149,141	99,474	778,536
Total accumulated depreciation	3,948,213	355,821	99,474	4,204,560
Total capital assets being depreciated, net	7,947,659	(145,802)	-	7,801,857
Governmental activities capital assets, net	\$ 8,012,418	\$ (89,585)	\$ 12,656	\$ 7,910,177

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 233,906	\$ -	\$ -	\$ 233,906
Less accumulated depreciation	151,710	15,319	-	167,029
Business-type activities capital assets, net	<u>\$ 82,196</u>	<u>\$ (15,319)</u>	<u>\$ -</u>	<u>\$ 66,877</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:	
Instruction	\$ 16,363
Support services:	
Instructional staff	49,347
Administration	33,285
Operation and maintenance of plant services	1,754
Transportation	46,649
	<u>147,398</u>
Unallocated depreciation	<u>208,423</u>
Total governmental activities depreciation expense	<u>\$ 355,821</u>
Business-type activities:	
Food service operations	<u>\$ 15,319</u>

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Early Retirement	General Obligation Bonds	Local Option Sales and Services Tax Revenue Bonds	Capital Loan Notes	Capital Leases	Total
Balance beginning of year	\$ 7,531	\$ 4,680,000	\$ 1,340,000	\$ 90,000	\$ 35,732	\$ 6,153,263
Additions	-	-	-	-	-	-
Reductions	7,531	315,000	160,000	90,000	35,732	608,263
Balance end of year	<u>\$ -</u>	<u>\$ 4,365,000</u>	<u>\$ 1,180,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,545,000</u>
Due within one year	<u>\$ -</u>	<u>\$ 320,000</u>	<u>\$ 160,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 480,000</u>

Early Retirement

The District previously offered a voluntary early retirement plan to its certified employees. Eligible employees had to be at least age fifty-five and employees had to have completed fifteen years of continuous service to the District. The plan has not been offered since July 1, 2006.

The early retirement benefit for each eligible employee was equal to 100 days of the applicant's base salary calculated by using the current year regular salary schedule, less any other additional pay. Early retirement benefits were paid either in a lump sum or annually over two or three years.

At June 30, 2008, the District has no obligations to participants. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$7,531.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	General Obligation Bonds Issue dated January 5, 2005			
	Interest Rates	Principal	Interest	Total
2009	2.70 %	\$ 95,000	\$ 75,508	\$ 170,508
2010	3.00	100,000	72,943	172,943
2011	3.15	100,000	69,943	169,943
2012	3.30	105,000	66,793	171,793
2013	3.35	110,000	63,327	173,327
2014-2018	3.45-3.90	600,000	257,275	857,275
2019-2023	4.00-4.25	735,000	131,025	866,025
2024	4.30	170,000	7,310	177,310
		<u>\$ 2,015,000</u>	<u>\$ 744,124</u>	<u>\$ 2,759,124</u>

Year Ending June 30,	General Obligation Refunding Bonds Issue dated March 15, 2005			
	Interest Rates	Principal	Interest	Total
2009	3.15 %	\$ 225,000	\$ 77,750	\$ 302,750
2010	3.15	235,000	70,663	305,663
2011	3.30	240,000	63,260	303,260
2012	3.30	250,000	55,340	305,340
2013	3.30	260,000	47,090	307,090
2014-2017	3.30-3.50	1,140,000	98,970	1,238,970
		<u>\$ 2,350,000</u>	<u>\$ 413,073</u>	<u>\$ 2,763,073</u>

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
2009	\$ 320,000	\$ 153,258	\$ 473,258
2010	335,000	143,606	478,606
2011	340,000	133,203	473,203
2012	355,000	122,133	477,133
2013	370,000	110,417	480,417
2014-2018	1,740,000	356,245	2,096,245
2019-2023	735,000	131,025	866,025
2024	170,000	7,310	177,310
	<u>\$ 4,365,000</u>	<u>\$ 1,157,197</u>	<u>\$ 5,522,197</u>

Local Option Sales and Services Tax Revenue Bonds

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	4.00 %	\$ 160,000	\$ 45,600	\$ 205,600
2010	4.00	170,000	39,100	209,100
2011	4.00	175,000	32,300	207,300
2012	4.00	185,000	25,200	210,200
2013	4.00	190,000	17,700	207,700
2014	4.00	200,000	10,000	210,000
2015	4.00	100,000	2,000	102,000
		<u>\$ 1,180,000</u>	<u>\$ 171,900</u>	<u>\$ 1,351,900</u>

The District pledged future local option sales and services tax revenues to repay the \$1,400,000 bonds issued in June 2006. The bonds were issued for the purpose of financing a portion of the costs of an elementary school upgrade. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 50 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$1,351,900. For the current year, \$212,000 of principal and interest were paid on the bonds and total local option sales and services tax revenues were \$465,079.



# TIPTON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2008

### Note 6. Long-Term Liabilities (continued)

#### Local Option Sales and Services Tax Revenue Bonds (continued)

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) Commencing August 1, 2006 through June 1, 2007, monthly deposits of \$4,545 were required to be made to the Reserve Fund. Commencing July 1, 2007 monthly deposits of \$4,167 were required to be made to the Reserve Fund until the maximum reserve requirement of \$140,000 is met. The Reserve Fund is used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account.
- b) All proceeds from the local option sales and services tax shall be placed in the Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Fund to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) All monies remaining in the Revenue Account after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

### Note 7. Operating Lease

The District is obligated under a copier equipment lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations and, therefore, are not reflected on the District's Statement of Net Assets. The agreement provides for monthly lease payments of \$2,057 during the term of the lease.

The total lease payments under the lease agreement are as follows:

Year Ending June 30,	Payments
2009	\$ 24,684
2010	24,684
2011	<u>16,456</u>
	<u>\$ 65,824</u>

Total payments under the lease agreement for the year ended June 30, 2008 were \$8,228.

### Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 8. Pension and Retirement Benefits (continued)

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$252,519, \$224,846, and \$211,705, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Tipton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$273,614 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Construction Commitments

The District has entered into various contracts totaling \$340,450 for a high school roofing project and a high school stadium seating renovation project. As of June 30, 2008, costs of \$41,978 had been incurred against the contracts. The balance of \$298,472 remaining at June 30, 2008 will be paid as work on the projects progresses.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 12. Restatement of Beginning Balances

The beginning balance of the Margaret Dallas Kindergarten Trust has been reclassified from the Private-Purpose Trust Fund to the District Support Trust Fund and the beginning balance of the Flexible Benefits Fund has been reclassified from the Agency Fund to the Internal Service Fund. These changes were necessary to more accurately reflect the nature of the funds and are summarized as shown below:

	Fiduciary Private Purpose Trust Fund	Nonmajor Special Revenue District Support Trust Fund	Governmental Activities
Beginning net assets or fund balance, as previously reported	\$ 773,594	\$ -	\$ 3,747,308
Amount reclassified to Special Revenue Fund	(220,449)	220,449	220,449
Beginning net assets or fund balance, as restated	<u>\$ 553,145</u>	<u>\$ 220,449</u>	<u>\$ 3,967,757</u>
	Fiduciary Agency Fund	Proprietary Internal Service Fund	
Beginning balance or net assets, as previously reported	\$ 12,349	\$ -	
Amount reclassified to Internal Service Fund	(3,661)	3,661	
Beginning balance or net assets, as restated	<u>\$ 8,688</u>	<u>\$ 3,661</u>	

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## Required Supplementary Information

TIPTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
Budget and Actual – All Governmental Funds  
and Proprietary Fund  
Required Supplementary Information  
Year Ended June 30, 2008

	Governmental Funds - Actual	Proprietary Fund - Enterprise - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 4,785,626	\$ 237,713	\$ 5,023,339	\$ 4,698,205	\$ 4,698,205	\$ 325,134
Intermediate sources	28,510	-	28,510	-	-	28,510
State sources	3,963,555	4,466	3,968,021	3,984,009	3,984,009	(15,988)
Federal sources	147,642	135,186	282,828	260,845	260,845	21,983
Total revenues	8,925,333	377,365	9,302,698	8,943,059	8,943,059	359,639
EXPENDITURES/EXPENSES:						
Instruction	4,740,671	-	4,740,671	4,817,920	4,917,920	177,249
Support services	2,257,048	-	2,257,048	2,292,173	2,292,173	35,125
Non-instructional programs	-	438,175	438,175	432,500	452,500	14,325
Other expenditures	1,288,711	-	1,288,711	1,597,724	1,597,724	309,013
Total expenditures/expenses	8,286,430	438,175	8,724,605	9,140,317	9,260,317	535,712
Excess (deficiency) of revenues over (under) expenditures/ expenses	638,903	(60,810)	578,093	(197,258)	(317,258)	895,351
Interfund contribution transfers	(46,322)	46,322	-	-	-	-
Excess (deficiency) of revenues and interfund contribution transfers over (under) expenditures/expenses and interfund contribution transfers	592,581	(14,488)	578,093	(197,258)	(317,258)	895,351
Balance beginning of year (as restated)	1,836,420	106,298	1,942,718	1,419,133	1,419,133	523,585
Balance end of year	\$ 2,429,001	\$ 91,810	\$ 2,520,811	\$ 1,221,875	\$ 1,101,875	\$ 1,418,936

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$120,000.

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## Other Supplementary Information

TIPTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	District Support Trust
Assets				
Cash and pooled investments	\$ 121,137	\$ 191,570	\$ 238,700	\$ 218,437
Receivables:				
Property tax:				
Current year	1,292	-	2,659	-
Succeeding year	100,000	-	130,904	-
Income surtax	-	-	178,089	-
Accrued interest	-	2,286	-	2,654
Due from other governments	-	-	-	-
Total assets	<u>\$ 222,429</u>	<u>\$ 193,856</u>	<u>\$ 550,352</u>	<u>\$ 221,091</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 4	\$ 11,913	\$ -	\$ 436
Salaries and benefits payable	-	2,176	-	-
Due to other governments	-	1,166	-	-
Deferred revenue:				
Succeeding year property tax	100,000	-	130,904	-
Other	-	-	178,089	-
Total liabilities	<u>100,004</u>	<u>15,255</u>	<u>308,993</u>	<u>436</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>122,425</u>	<u>178,601</u>	<u>241,359</u>	<u>220,655</u>
Total liabilities and fund equity	<u>\$ 222,429</u>	<u>\$ 193,856</u>	<u>\$ 550,352</u>	<u>\$ 221,091</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 188,138	\$ 957,982
-	3,951
-	230,904
-	178,089
-	4,940
<u>194,377</u>	<u>194,377</u>
<u>\$ 382,515</u>	<u>\$ 1,570,243</u>

\$ 32,864	\$ 45,217
-	2,176
-	1,166
-	230,904
-	178,089
<u>32,864</u>	<u>457,552</u>

<u>349,651</u>	<u>1,112,691</u>
<u>\$ 382,515</u>	<u>\$ 1,570,243</u>

TIPTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2008

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	District Support Trust
Revenues:				
Local sources:				
Local tax	\$ 90,257	\$ -	\$ 377,295	\$ -
Other	12,361	267,729	21,508	9,228
State sources	70	-	127	-
Total revenues	102,688	267,729	398,930	9,228
Expenditures:				
Current:				
Instruction	7,531	254,069	-	9,022
Support services:				
Instructional staff services	-	-	-	-
Administration services	44,247	5	-	-
Operation and maintenance of plant services	40,748	182	-	-
Transportation services	7,899	18,369	40,249	-
Other expenditures:				
Facilities acquisition	-	-	88,741	-
Total expenditures	100,425	272,625	128,990	9,022
Excess (deficiency) of revenues over (under) expenditures	2,263	(4,896)	269,940	206
Other financing sources (uses):				
Interfund transfers in	-	-	10,994	-
Interfund transfers out	-	-	(130,808)	-
Total other financing sources (uses)	-	-	(119,814)	-
Net change in fund balances	2,263	(4,896)	150,126	206
Fund balances beginning of year, as restated	120,162	183,497	91,233	220,449
Fund balances end of year	\$ 122,425	\$ 178,601	\$ 241,359	\$ 220,655

See accompanying independent auditor's report.

	Capital Projects		Total
\$	465,079	\$	932,631
	67,718		378,544
	-		197
	<u>532,797</u>		<u>1,311,372</u>
	-		270,622
	25,599		25,599
	-		44,252
	-		40,930
	-		66,517
	<u>105,300</u>		<u>194,041</u>
	<u>130,899</u>		<u>641,961</u>
	401,898		669,411
	-		10,994
	<u>(279,183)</u>		<u>(409,991)</u>
	<u>(279,183)</u>		<u>(398,997)</u>
	122,715		270,414
	<u>226,936</u>		<u>842,277</u>
\$	<u><u>349,651</u></u>	\$	<u><u>1,112,691</u></u>

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama Club	\$ 2,699	\$ 3,595	\$ 3,976	\$ 2,318
Forensics	5,039	4,274	4,100	5,213
Choir	3,990	7,163	8,835	2,318
Instrumental Music	4,176	1,504	2,082	3,598
Middle School Music	1,910	33	1,428	515
High School Band Color Guard	540	70	872	(262)
High School Athletics	27,056	67,979	59,378	35,657
Cross Country Special	2,237	4,371	5,639	969
Golf Special	232	1,588	1,716	104
Boys Basketball Special	6,128	3,727	9,745	110
Football Special	3,161	8,345	7,259	4,247
Baseball Special	994	3,481	3,833	642
Boys Track Special	2,777	630	907	2,500
Wrestling Special	2,444	8,181	8,429	2,196
Girls Basketball Special	2,519	12,896	15,058	357
Volleyball Special	5,577	3,434	3,546	5,465
Softball Special	2,354	2,142	1,231	3,265
Girls Track Special	1,887	3,151	3,437	1,601
Special Athletic Strength & Conditioning	1,923	340	992	1,271
Girls Swimming Special	913	403	687	629
Academic Decathlon	(561)	2,480	1,913	6
Art Club	302	180	94	388
Thespians	568	790	776	582
Honor Society	48	375	504	(81)
Football Cheerleaders	2,247	6,273	8,191	329
Basketball Cheerleaders	420	-	-	420
Wrestling Cheerleaders	1,592	1,801	2,896	497
High School Student Council	7,878	7,148	8,995	6,031
FFA	7,017	26,782	27,289	6,510
Yearbook	985	13,586	11,406	3,165
Spanish	216	-	-	216
Elementary Grade Fund	7,385	9,679	9,072	7,992
Invention Convention	94	25	-	119
Middle School Yearbook	1,202	959	2,459	(298)
Middle School Activity Fund	(1,541)	6,154	4,536	77
Middle School Athletics	(3,667)	14,892	17,879	(6,654)
MDT Fund	1,178	1,325	1,642	861
Middle School Lifeskills	380	239	89	530
Jump Rope for Heart	702	-	-	702
Elementary Library	198	2,522	2,460	260
Middle School Student Council	261	1,154	1,287	128

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Gifted and Talented	\$ 199	\$ -	\$ -	\$ 199
Elementary TAG	321	-	-	321
Class of 2006	50	-	50	-
Class of 2008	849	-	849	-
Class of 2009	1,607	16,165	17,387	385
Class of 2010	129	874	309	694
Class of 2011	-	295	68	227
Tigerette Dance Squad	3,611	5,052	6,407	2,256
Investment Account Interest	70,656	10,437	2,092	79,001
Special Projects	615	1,229	825	1,019
Activity Tickets	-	6	-	6
Total	\$ <u>183,497</u>	\$ <u>267,729</u>	\$ <u>272,625</u>	\$ <u>178,601</u>

See accompanying independent auditor's report.

TIPTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2008

	Balance Beginning of Year, as Restated	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 8,688	\$ 6,533	\$ 7,378	\$ 7,843
Liabilities				
Other payables	\$ 8,688	\$ 6,533	\$ 7,378	\$ 7,843

See accompanying independent auditor's report.



TIPTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2008	2007	2006	2005
Revenues:				
Local sources:				
Local tax	\$ 3,705,645	\$ 3,499,396	\$ 3,347,746	\$ 3,141,934
Tuition	564,210	557,699	575,238	418,697
Other	515,771	455,001	505,022	345,796
Intermediate sources	28,510	33,830	-	-
State sources	3,963,555	3,492,687	3,418,405	3,282,078
Federal sources	147,642	177,607	186,231	215,590
Total revenues	<u>\$ 8,925,333</u>	<u>\$ 8,216,220</u>	<u>\$ 8,032,642</u>	<u>\$ 7,404,095</u>
Expenditures:				
Instruction	\$ 4,740,671	\$ 4,541,923	\$ 4,260,694	\$ 4,329,539
Support services:				
Student services	224,472	208,885	198,545	186,142
Instructional staff services	357,069	306,552	399,113	438,747
Administration services	750,366	698,086	712,732	668,015
Operation and maintenance of plant services	612,096	609,347	571,910	562,547
Transportation services	313,045	216,528	207,774	156,664
Non-instructional programs	46,322	-	-	39,178
Other expenditures:				
Facilities acquisition	194,041	1,113,924	981,799	2,468,005
Long-term debt:				
Principal	600,732	466,512	3,053,645	268,645
Interest and fiscal charges	220,324	195,487	402,845	263,245
AEA flowthrough	273,614	247,228	237,619	231,345
Total expenditures	<u>\$ 8,332,752</u>	<u>\$ 8,604,472</u>	<u>\$ 11,026,676</u>	<u>\$ 9,612,072</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Tipton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tipton Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tipton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tipton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tipton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Tipton Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Tipton Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Tipton Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tipton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Tipton Community School District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Tipton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Tipton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Tipton Community School District and other parties to whom Tipton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Tipton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
October 7, 2008

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

I-A-08 Controls Over Financial Reporting – During the audit, we noted that the Margaret Dallas Kindergarten Trust Fund has been reported as a private purpose trust fund. The fund is used to supplement the District's kindergarten program and does not meet the requirements of a private purpose trust fund. Since the fund benefits the District, it should be reported as a district support trust fund. The beginning balances of the private purpose trust fund and the special revenue, district support trust fund have been restated to reflect this reclassification.

Recommendation – The District should implement procedures to ensure all funds are reported as the correct type of fund.

Response – We have made this correction and all funds are now properly classified.

Conclusion – Response accepted.

I-B-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the same individual performs the following duties: recording and processing cash receipts and bank deposits, recording disbursements and preparing and distributing checks, and preparing bank reconciliations in the various funds.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will review our procedures and implement changes to improve controls as we deem necessary.

Conclusion – Response accepted.

I-C-08 Disbursements – Out of forty-one disbursements tested, seven were not fully supported by an invoice or receipt prior to the check being released for payment.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation prior to the check being released for payment.

Response – We will make sure that all future disbursements are properly supported prior to the check being released for payment.

Conclusion – Response accepted.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part I: Findings Related to the Basic Financial Statements (continued):

Significant Deficiencies (continued):

- I-D-08 Fundraisers – Supporting documentation for fundraiser income is being kept by individual activity club sponsors. There are no set procedures in place to review this information for completeness and accuracy other than review by the activity sponsor, who is also responsible for the initial collection of fundraising income.

Recommendation – The District should develop some type of summary form and procedures which would include reviewing supporting documentation for fundraisers in order to account for the completeness and accuracy of revenues recorded. For example, you could have the activity sponsor summarize budgeted, expected, and actual results on a spreadsheet which can be compared to actual fundraising receipts recorded once the fundraiser is completed. Any revenues short or long can then be explained on the form. This form should be reviewed and initialed by either the Activity Director, Principal, or Secretary as applicable. Whoever is reviewing these fundraiser summary forms should also verify in detail the information on a couple of forms each year. This can be done by tracing the information on the form to the supporting documentation kept by the activity sponsor i.e. sales sheets, order forms, etc. We realize verifying every fundraiser would be time consuming so not every fundraiser needs to be verified in detail. Checking a few each year will let the activity sponsors realize that someone may be reviewing their records.

Response – We will review our procedures regarding fundraising activities and consider the recommended procedures.

Conclusion – Response accepted.

- I-E-08 Netting of Revenues to Expenditures – We noted \$3,400 of revenues that were posted against expenditure accounts in the Special Revenue, Student Activity Fund.

Recommendation – This practice understates both revenues and expenditures and bypasses the budget. The District should avoid netting revenues against expenditure accounts.

Response – We will properly record all revenues in the future.

Conclusion – Response accepted.

TIPTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

- II-A-08 Certified Budget – Expenditures for the year ended June 30, 2008, did not exceed the amounts budgeted.
- II-B-08 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-08 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-08 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-I-08 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-08 General Fund Subsidy of School Nutrition Fund – We noted during the audit that the General Fund is subsidizing the School Nutrition Fund by paying for the employees’ health insurance. During the year ended June 30, 2008 the General Fund contributed \$46,322 to the School Nutrition Fund to pay for employee benefits. This is considered to be a permanent transfer since the School Nutrition Fund is not expected to repay the General Fund for these benefits.

Recommendation – The School Nutrition Fund is supposed to support its own operations through the collection of fees for meals served, without subsidy from other District funds. The District should consider alternatives to make the School Nutrition Fund entirely self-sufficient.

Response – We will investigate alternatives to eliminate future subsidizing of the School Nutrition Fund by other District funds.

Conclusion – Response accepted.

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